



ANNUAL STATEMENT
For the Year Ending December 31, 2006
OF THE CONDITION AND AFFAIRS OF THE
Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	01/01/1994		Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville , TN 37932 (City, or Town, State and Zip Code)			
Main Administrative Office			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Mail Address	1420 Centerpoint Blvd. (Street and Number or P.O. Box)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Primary Location of Books and Records			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson (Name)		(865)670-7282 (Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com (E-Mail Address)		(865)470-7461 (Fax Number)			
Policyowner Relations Contact			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)470-7470 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
Lance K. Hunsinger	President
Jeffery S. Collake	Chief Financial Officer
Jeffery S. Collake	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Kenneth Truman Creed
Michael McKay Dudley
Randolph Murphree Lowry MD
Cletus Joseph McMahon Jr. MD
David A. Nowiski
Anthony L. Spezia
Sandra L. Mathy

Thomas Rowe Bell
Daniel J. David MD
Marvin H. Eichorn
Kenneth Frederick Luckman MD
Michael Earl Mitchell MD
Francis H. Olmstead Jr.
Dean M. Turner MD

State of Tennessee
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Lance K. Hunsinger (Printed Name) 1. President (Title)	(Signature) Jeffery S. Collake (Printed Name) 2. Chief Financial Officer (Title)	(Signature) Jeffery S. Collake (Printed Name) 3. Secretary (Title)
Subscribed and sworn to before me this day of , 2007	a. Is this an original filing? b. If no, 1. State the amendment number 2. Date filed 3. Number of pages attached	Yes[] No[X] 1 05/21/2007 35
(Notary Public Signature)		

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	51,260,404		51,260,404	56,091,973
2.	Stocks (Schedule D)				
2.1	Preferred stocks				
2.2	Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances)				
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....3,700,088 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA)	3,700,088		3,700,088	1,798,632
6.	Contract loans (including \$.....0 premium notes)				
7.	Other invested assets (Schedule BA)				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	54,960,492		54,960,492	57,890,605
11.	Title plants less \$.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	741,670		741,670	846,216
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset	7,413,304	7,413,304		
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....0)				
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates	2,993,222	2,993,222	0	253,701
22.	Health care (\$.....0) and other amounts receivable				
23.	Aggregate write-ins for other than invested assets	10,697		10,697	37,510
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	66,119,384	10,406,526	55,712,858	59,028,032
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	66,119,384	10,406,526	55,712,858	59,028,032
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	A/R Risk Share				
2302.	A/R State Admin	10,697		10,697	37,510
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	10,697		10,697	37,510

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded)				
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses				
4.	Aggregate health policy reserves	6,847,440		6,847,440	6,732,000
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	22,575		22,575	5,246,539
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates				215,985
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans	75,963		75,963	
21.	Aggregate write-ins for other liabilities (including \$.....0 current)	15,214,333		15,214,333	11,488,605
22.	Total liabilities (Lines 1 to 21)	22,160,311		22,160,311	23,683,129
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	1,000	1,000
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	61,379,848	61,379,848
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	(27,828,301)	(26,035,945)
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	33,552,547	35,344,903
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	55,712,858	59,028,032
DETAILS OF WRITE-INS					
2101.	Accrued Run-Out Costs	10,986,297		10,986,297	11,488,605
2102.	Risk Share Audit Reserve	2,040,320		2,040,320	
2103.	Penalty Reserve	1,086,750		1,086,750	
2198.	Summary of remaining write-ins for Line 21 from overflow page	1,100,966		1,100,966	
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	15,214,333		15,214,333	11,488,605
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	1,274,537	1,498,890
2.	Net premium income (including \$.....0 non-health premium income)	X X X		
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X	29	4,822,730
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	29	4,822,730
Hospital and Medical:				
9.	Hospital/medical benefits		2,807	
10.	Other professional services		(1,214)	(997,145)
11.	Outside referrals			
12.	Emergency room and out-of-area		291	
13.	Prescription drugs		(20,386)	(107,784)
14.	Aggregate write-ins for other hospital and medical		(618,133)	(636,887)
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		(636,635)	(1,741,816)
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)		(636,635)	(1,741,816)
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....307,960 cost containment expenses		591,262	
21.	General administrative expenses		980,865	
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		935,492	(1,741,816)
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(935,463)	6,564,546
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,401,115	2,264,548
26.	Net realized capital gains (losses) less capital gains tax of \$.....0		(59,332)	44,459
27.	Net investment gains (losses) (Lines 25 plus 26)		2,341,783	2,309,007
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	1,406,320	8,873,553
31.	Federal and foreign income taxes incurred	X X X	280,622	(249,424)
32.	Net income (loss) (Lines 30 minus 31)	X X X	1,125,698	9,122,977
DETAILS OF WRITE-INS				
0601.	Other Revenue	X X X	29	655,716
0602.	State Admin Revenue	X X X		4,167,014
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	29	4,822,730
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Recoveries		(618,133)	(632,357)
1402.	Risk Share			(4,530)
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		(618,133)	(636,887)
2901.	.....		
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	35,344,903	26,260,630
34.	Net income or (loss) from Line 32	1,125,698	9,122,977
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	7,413,304	
39.	Change in nonadmitted assets	(10,370,062)	0
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus	38,703	(38,703)
48.	Net change in capital and surplus (Lines 34 to 47)	(1,792,357)	9,084,274
49.	Capital and surplus end of reporting year (Line 33 plus 48)	33,552,546	35,344,904
DETAILS OF WRITE-INS			
4701.	Change in Unrealized Valuation	38,703	(38,703)
4702.	.....	
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	38,703	(38,703)

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	0
REVENUES:			
1. TennCare Capitation	0	0	0
2. Investment	577,600	2,341,783	2,309,007
3. Other Revenue	(18,215)	29	655,716
State Admin Revenue	0	0	4,167,015
4. TOTAL REVENUES (Lines 1 to 3)	559,385	2,341,812	7,131,738
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	39	1,694	0
7. Inpatient Hospital Services	338	999	(997,145)
8. Outpatient Services	0	0	0
9. Emergency Room Services	252	291	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Opthamology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	(20,385)	(20,385)	(107,784)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	13	114	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	(0)	(1,508)	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	(0)	293	0
Ped Emergency Medicine - FFS Hospital	0	0	0
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	(19,744)	(18,502)	(1,104,929)
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	116,018	618,133	636,887
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	116,018	618,133	636,887
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(135,762)	(636,635)	(1,741,816)

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	2,078,200	8,523,963	9,538,794
32. Marketing (Including Allocated Costs)	912	8,098	3,106
33. Premium Tax Expense	75,963	304,927	369,197
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	251,688	786,302	720,997
35. Other Administration (Provide detail)			
Printing	66,760	145,380	66,052
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	66,311	241,411	249,715
Legal Fees	14,331	36,851	46,540
Liquidated Damages	(1,478,400)	(1,472,500)	600,000
Outside Services	91,068	370,825	469,798
Board & Committee Fees	0	0	
Auditing, actuarial and other consulting services	0	0	
Books & Subscriptions	319	1,602	3,038
Dues, Fees & Licenses	15	58,976	971
Education & Seminars	0	0	0
Meals & Entertainment	78	1,068	397
Office Supplies	120	2,020	1,533
Minor Equipment	1,414	1,535	
Travel	0	1	99
Wellness Program	0	0	
Leases & Rentals of equipment	0	0	
Repairs/Maintenance Agreements	0	43,444	52,851
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	50,147	188,036	52,473
Provision for Loss Contracts	0		
Risk Banding Reserve	0		
Program Run Out Expense	0		
State Admin Revenue	(4,311,915)	(14,484,727)	(14,292,822)
Miscellaneous Expense	(973,106)	(559,429)	(6,303,471)
Total DIRECT Expenses	(4,066,095)	(5,802,217)	(8,420,732)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	140,871	491,875	623,199
Printing	27,136	107,633	67,025
Postage	67,982	287,300	274,158
Legal Fees	(156,837)	81,298	142,550
Outside Services	338,360	2,193,564	2,364,908
Board & Committee Fees	9,515	83,325	95,293
Survey Fees	(41,621)	98,561	29,158
Telephone/Beepers/Cellular Phones	70,030	277,749	210,955
Books & Subscriptions	47,643	78,528	97,744
Minor Equipment	72,249	89,525	141,998
Computer Supplies	0	0	0
Dues, Fees & Licenses	11,815	106,018	134,119
Education & Seminars	7,398	35,099	71,989
Meals & Entertainment	8,663	24,075	27,882
Office Supplies	28,352	103,927	92,808
Travel	23,612	75,109	74,266
Miscellaneous Expense	(7,875)	108,007	170,522
Franchise, Excise & Property Taxes & Sales/Use Tax	(139,643)	(9,530)	84,085
Insurance	104,396	327,790	422,230
Leases & Rentals of equipment	15,522	65,237	98,157
Repairs/Maintenance Agreements	258,902	556,487	630,515
Relocation Expense Total	0	1,215	2,130
Training and Orientation Total	0	0	0
Temp/Contract Personnel	100,682	294,555	404,890
Covenant Management Fees	474,249	1,896,997	2,160,152
Total ALLOCATED Expenses	1,461,401	7,374,343	8,420,733
36. TOTAL ADMINISTRATION (Lines 31 to 36)	(2,604,694)	1,572,127	1
FIT & Excise Tax	924,419	280,622	(249,424)
37. Total Other Expenses:	924,419	280,622	(249,424)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	(1,816,037)	1,216,114	(1,991,239)
39. NET INCOME (LOSS) (Line 4 less Line 38)	2,375,422	1,125,698	9,122,977

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	314,150	1,274,537	1,498,890
REVENUES:			
1. TennCare Capitation	41,607,422	170,923,604	211,259,842
2. Investment	628,374	2,448,870	2,322,500
3. Other Revenue	(18,215)	29	655,716
State Admin Revenue	0	0	4,167,015
IBNR / Capitation Revenue Receivable	(1,012,769)	27,794,802	31,396,233
Premium Tax	863,763	2,587,434	3,206,410
4. TOTAL REVENUES (Lines 1 to 3)	42,068,575	203,754,739	253,007,716
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	1,082,369
6. Fee-For-Service Physician Services	4,591,949	20,710,186	23,650,807
7. Inpatient Hospital Services	21,232,676	112,530,022	141,358,665
8. Outpatient Services	15,153	60,856	68,002
9. Emergency Room Services	2,536,595	12,474,387	12,722,130
10. Mental Health Services	9,582	34,334	78,931
11. Dental Services (Capitated & FFS)	1,976	5,222	3,471
12. Vision Services (Capitated , FFS & Opthamology)	218,532	804,983	879,021
13. Pharmacy Services (Capitated & FFS)	(20,385)	(24,652)	(118,232)
14. Home Health Services	200,055	513,598	401,652
15. Chiropractic Services	0	0	0
16. Radiology Services	74,223	304,233	180,221
17. Laboratory Services	5,587,318	25,850,446	32,643,097
18. Durable Medical Equipment Services	1,295,062	6,628,295	8,520,223
19. Transportation Services (Capitated)	1,091,613	4,180,871	4,817,145
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	2,087,768	7,163,071	7,636,968
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	435,683	1,464,708	1,494,984
Anesthesiology - FFS Hosp & Other	704,533	2,802,600	3,464,740
Gastroenterology	9,957	35,116	68,053
Preventive Medicine	865,484	3,341,073	3,362,278
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	25,800	123,291	136,318
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	40,963,574	199,002,640	242,450,843
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	243,431	774,161	741,975
27a Recoveries	210,475	924,980	1,868,340
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	453,906	1,699,141	2,610,315
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	40,509,668	197,303,499	239,840,528

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	2,078,200	8,523,963	9,538,794
32. Marketing (Including Allocated Costs)	912	8,098	3,106
33. Premium Tax Expense	939,725	3,777,721	4,662,829
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	251,688	786,302	720,997
35. Other Administration (Provide detail)	0		
	0		
Printing	66,760	145,380	66,052
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	66,311	241,411	249,715
Legal Fees	14,331	36,851	46,540
Liquidated Damages	(1,478,400)	(1,472,500)	600,000
Outside Services	91,068	370,825	469,798
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	319	1,602	3,038
Dues, Fees & Licenses	15	58,976	971
Education & Seminars	0	0	0
Meals & Entertainment	78	1,068	397
Office Supplies	120	2,020	1,533
Minor Equipment	1,414	1,535	0
Travel	0	1	99
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	43,444	52,851
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	50,147	188,036	52,473
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
State Admin	(4,311,915)	(14,484,727)	(14,292,822)
Miscellaneous Expense	(973,107)	(559,429)	(6,303,469)
Total DIRECT Expenses	(3,202,334)	(2,329,423)	(4,127,098)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	140,871	491,875	623,199
Printing	27,136	107,633	67,025
Postage	67,982	287,300	274,158
Legal Fees	(156,837)	81,298	142,550
Outside Services	338,359	2,193,564	2,364,908
Board & Committee Fees	9,515	83,325	95,293
Survey Fees	(41,621)	98,561	29,158
Telephone/Beepers/Cellular Phones	70,030	277,749	210,955
Books & Subscriptions	47,643	78,528	97,744
Minor Equipment	72,249	89,525	141,998
Computer Supplies	0	0	0
Dues, Fees & Licenses	11,816	106,018	134,119
Education & Seminars	7,399	35,099	71,989
Meals & Entertainment	8,663	24,075	27,882
Office Supplies	28,352	103,927	92,808
Travel	23,612	75,109	74,266
Miscellaneous Expense	(7,877)	108,006	170,522
Franchise, Excise & Property Taxes & Sales/Use Tax	(139,643)	(9,530)	84,085
Insurance	104,396	327,790	422,230
Leases & Rentals of equipment	15,522	65,237	98,157
Repairs/Maintenance Agreements	258,902	556,487	630,515
Relocation Expense Total	0	1,215	2,130
Training and Orientation Total	0	0	0
Temp/Contract Personnel	100,682	294,555	404,890
Covenant Management Fees	474,249	1,896,997	2,160,152
Total ALLOCATED Expenses	1,461,400	7,374,343	8,420,733
36. TOTAL ADMINISTRATION (Lines 31 to 36)	(1,740,934)	5,044,920	4,293,635
FIT & Excise Tax	924,419	280,622	(249,424)
37. Total Other Expenses:	924,419	280,622	(249,424)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	39,693,153	202,629,041	243,884,739
39. NET INCOME (LOSS) (Line 4 less Line 38)	2,375,422	1,125,698	9,122,977

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance		
2.	Net investment income	2,630,584	2,663,701
3.	Miscellaneous income	29	4,822,730
4.	Total (Lines 1 through 3)	2,630,613	7,486,431
5.	Benefit and loss related payments	(752,074)	3,352,825
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	5,883,537	4,442,703
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$.....0 net of tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	5,131,463	7,795,528
11.	Net cash from operations (Line 4 minus 10)	(2,500,850)	(309,097)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	28,006,392	17,600,252
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments	(85,283)	(3,259)
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	27,921,109	17,596,993
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	23,518,803	15,530,259
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	23,518,803	15,530,259
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	4,402,306	2,066,734
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,901,456	1,757,637
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	1,798,632	40,995
19.2	End of year (Line 18 plus Line 19.1)	3,700,088	1,798,632

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
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UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$.....0 for occupancy of own building)			442,809		442,809
2.	Salaries, wages and other benefits	2,343,087	1,381,406	4,276,759		8,001,251
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed)					
4.	Legal fees and expenses			81,298		81,298
5.	Certifications and accreditation fees					
6.	Auditing, actuarial and other consulting services	296,467	473,177	1,831,656		2,601,300
7.	Traveling expenses	18,879	1,401	54,829		75,109
8.	Marketing and advertising	3,032		5,066		8,098
9.	Postage, express and telephone	23,692	223,703	563,248		810,643
10.	Printing and office supplies	15,799	5,662	331,267		352,728
11.	Occupancy, depreciation and amortization			786,302		786,302
12.	Equipment	548	1,364	87,612		89,525
13.	Cost or depreciation of EDP equipment and software					
14.	Outsourced services including EDP, claims, and other services					
15.	Boards, bureaus and association fees	6,951		76,373		83,325
16.	Insurance, except on real estate			327,790		327,790
17.	Collection and bank service charges			1,453		1,453
18.	Group service and administration fees					
19.	Reimbursements by uninsured plans	(2,837,410)	(2,124,965)	(9,522,353)		(14,484,728)
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses					
22.	Real estate taxes					
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes					
23.2	State premium taxes			304,927		304,927
23.3	Regulator authority licenses and fees					
23.4	Payroll taxes	151,907	89,603	281,202		522,712
23.5	Other (excluding federal income and real estate taxes)			(9,530)		(9,530)
24.	Investment expenses not included elsewhere				84,369	84,369
25.	Aggregate write-ins for expenses	285,008	231,950	1,060,157		1,577,116
26.	Total expenses incurred (Lines 1 to 25)	307,960	283,302	980,865	84,369	(a) 1,656,496
27.	Less expenses unpaid December 31, current year			22,575		22,575
28.	Add expenses unpaid December 31, prior year			5,246,539		5,246,539
29.	Amounts receivable relating to uninsured plans, prior year					
30.	Amounts receivable relating to uninsured plans, current year					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	307,960	283,302	6,204,829	84,369	6,880,460
DETAILS OF WRITE-INS						
2501.	Dues/Fees/Licenses	37,557		68,461		106,018
2502.	Education & Seminars	3,603		31,495		35,099
2503.	Meals & Entertainment	4,093	1,017	18,965		24,075
2598.	Summary of remaining write-ins for Line 25 from overflow page	239,755	230,934	941,236		1,411,924
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above)	285,008	231,950	1,060,157		1,577,116

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks			
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company			
4.2	Properties occupied for the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivables for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)			
11.	Title plants (for Title insurers only)			
12.	Invested income due and accrued			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection			
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3	Accrued retrospective premiums			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers			
14.2	Funds held by or deposited with reinsured companies			
14.3	Other amounts receivable under reinsurance contracts			
15.	Amounts receivable relating to uninsured plans			
16.1	Current federal and foreign income tax recoverable and interest thereon			
16.2	Net deferred tax asset	7,413,304		(7,413,304)
17.	Guaranty funds receivable or on deposit			
18.	Electronic data processing equipment and software			
19.	Furniture and equipment, including health care delivery assets			
20.	Net adjustment in assets and liabilities due to foreign exchange rates			
21.	Receivables from parent, subsidiaries and affiliates	2,993,222	36,464	(2,956,758)
22.	Health care and other amounts receivable			
23.	Aggregate write-ins for other than invested assets			
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	10,406,526	36,464	(10,370,062)
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	10,406,526	36,464	(10,370,062)
DETAILS OF WRITE-INS				
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	.....		
2302.	.....		
2303.	.....		
2398.	Summary of remaining write-ins for Line 23 from overflow page			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)			

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables							
Preferred Health Partnership Companies	1,499,819	1,250,000	243,403		2,993,222		
0199999 Total - Individually listed receivables	1,499,819	1,250,000	243,403		2,993,222		
0299999 Receivables not individually listed							
0399999 Total gross amounts receivable	1,499,819	1,250,000	243,403		2,993,222		

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Preferred Health Partnership of Tennessee, Inc. are presented on the basis of accounting practices prescribed or permitted by the NAIC Accounting Practices and Procedures manual and the state of Tennessee Department of Commerce and Insurance.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The plan does not receive premiums from the State; the plan does receive a monthly capitation check to pay for the claims and administrative expenses of the company. This capitation revenue is recognized as income in the period it is received, as it exceeds administrative expenses by direction of the TennCare Bureau. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) All investments with maturities of one year or less at the time of acquisition are considered short-term investments.
- (2) Bonds consist of US Government securities, municipal bonds, corporate bonds, and other, are carried at amortized cost if the bond has a NAIC designation of 1 or 2. Bonds with a NAIC designation of 3 to 6 are reported at the lower of amortized cost or fair value. Unrealized losses on investments with NAIC designations of 3 to 6 are recorded as a direct charge to surplus. Cost of investments sold is determined using the specific identification method. Bond discounts and premiums are amortized or accreted over the life of the bond on a straight-line basis, which approximates the constant yield interest method. Currently, PHP is working on converting amortization to the scientific method per SSAP No. 26.
- (3) Common stock is stated at par.
- (4) Not applicable
- (5) Not applicable
- (6) Not applicable
- (7) Not applicable
- (8) Not applicable
- (9) Not applicable
- (10) Anticipated investment income is not a factor in the premium deficiency calculations.
- (11) Liabilities for losses and loss/claim adjustment expenses include an amount determined based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods of making such estimates and for establishing the resulting liability is reviewed on a monthly basis and any adjustments are reflected in the period determined.
- (12) Not applicable
- (13) Not applicable

2. Accounting Changes and Corrections of Errors

- A. No errors or changes in accounting principles have occurred.

3. Business Combinations and Goodwill

Not applicable

4. Discontinued Operations

Not applicable

5. Investments

Not applicable

6. Joint Ventures, Partnerships, and Limited Liability Companies

Not applicable

7. Investment Income

All investment income due and accrued was admitted.

8. Derivative Instruments

Not applicable

9. Income Taxes

Notes to Financial Statement

A. The components of the net DTA recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	Dec. 31, 2006	Jan. 1, 2006
Total of gross deferred tax assets	7,459,231	7,898,114
Total of deferred tax liabilities	(45,926)	(45,926)
Net deferred tax assets	7,413,305	7,852,188
Deferred tax asset nonadmitted	(7,413,305)	(7,852,188)
Net admitted deferred tax asset	-	-
(Increase) decrease in nonadmitted asset	438,883	

B. Deferred tax liabilities for 2006 are not recognized for investment discount accretion in the amount of \$45,926. There were no temporary differences due to investments in foreign subsidiaries or corporations.

C. The current income tax expense for 2006 is \$280,622.

D. The significant book to tax adjustments were as follows:

	Amount:	Tax Effect:
Income before taxes	1,406,320	478,149
Book over Tax Reserves	(580,961)	(197,527)
Taxable Income	825,359	280,622

E. There are no operating loss or tax credits to carry forward

F. (1) The Plan's federal income tax return is consolidated with the following entities:

PHP Companies, Inc
Preferred Health Partnership, Inc.
Cariten Health Plan, Inc.
Cariten Insurance Company

(2) Tax payments and the recoupment (in the event of future losses) of taxes paid pursuant to the tax allocation agreement are computed on a separate company basis as determined in accordance with the tax allocation agreement.

10. Information concerning Parent, Subsidiaries, and Affiliates

- A. The Plan is a wholly-owned subsidiary of PHP Companies, Inc., a holding company domiciled in the State of Tennessee. PHP Companies, Inc. is a wholly-owned subsidiary of Covenant Health, a non-profit organization domiciled in the State of Tennessee. The holding company group consist of the following companies: Preferred Health Partnership, Inc., Cariten Health Plan, Inc., Preferred Health Partnership of Tennessee, Inc., and Cariten Insurance Company.
- B. The Plan periodically transfers cash to the parent, PHP Companies, Inc., to reimburse for cost allocations and Plan expenses recorded on the Plan's behalf by the parent. The following amounts were transferred to the parent during 2006: (1) \$1,250,000 on 01/31/06 (2) \$1,250,000 on 02/28/06 (3) \$1,000,000 on 03/10/06 (4) \$250,000 on 03/31/06 (5) \$1,250,000 on 04/17/06 (6) \$250,000 on 04/28/06 (7) \$1,000,000 on 05/13/06 (8) \$2,500,000 on 05/30/06 (9) \$1,500,000 on 07/10/06 (10) \$1,250,000 on 07/24/06 (11) \$1,000,000 on 08/21/06 (12) \$500,000 on 08/31/06 (13) \$6,000,000 on 09/11/06 (14) \$1,750,000 on 10/16/06 (15) \$1,250,000 on 11/13/06 (16) \$1,250,000 on 12/11/06 (17) \$250,000 on 12/29/06.
- C. The Plan transferred \$23,500,000 to PHP Companies and PHP Companies transferred \$0.00 to the plan. Cost allocations received from the parent company totaled \$15,702,501. Plan expenses paid by the parent on behalf of the plan totaled \$1,089,330.03.
- D. As of December 31, 2006 the Plan has a receivable from PHP Companies, Inc. in the amount of \$2,993,221.78.
- E. Not applicable
- F. The parent company of the Plan accumulates operating costs and allocates these expenses monthly to the operating entities listed above. Allocations are based proportionally on the membership counts of the companies listed above with government program memberships doubled, due to higher administration costs.
- G-K. Not applicable

11. Debt

Not applicable

12. Retirement Plans, Deferred Compensation, Post employment benefits and Compensated Absences and Other Postretirement Benefit Plans.

Not applicable

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- (1) The Plan has 1,000 shares of \$1 par common stock authorized and outstanding. All stock is owned by the parent company, PHP Companies, Inc.

Notes to Financial Statement

- (2) Not applicable
- (3) No dividends are paid
- (4) Not applicable
- (5) No restrictions are placed on surplus.
- (6) Not applicable
- (7) No stock is held by the Company.
- (8) Not applicable
- (9) Not applicable
- (10) Not applicable
- (11) Not applicable
- (12) Not applicable

14. Contingencies

Not applicable

15. Leases

Not applicable

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

Not applicable

17. Sales, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

Not applicable

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

		(1)		(2)		(3)
		<u>ASO</u>		<u>Uninsured</u>		
		<u>Uninsured</u>		<u>Portion of</u>		<u>Total</u>
		<u>Plans</u>		<u>Partially</u>		<u>ASO</u>
				<u>Insured Plans</u>		
a.	Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ (1,572,127)	\$	-	\$	(1,572,127)
b.	Total net other income or expenses (including interest paid to or received from plans)	\$ 2,341,812	\$	-	\$	2,341,812
c.	Net gain of (loss) from operations	\$ 769,685	\$	-	\$	769,685
d.	Total claim payment volume	\$ 197,940,133	\$	-	\$	197,940,133

B. Not applicable

C. Not applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable

20. September 11 Events

Not applicable

21. Other Items

Not applicable

22. Events Subsequent

Not applicable

23. Reinsurance

Notes to Financial Statement

Not applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

Not applicable

26. Intercompany Pooling Arrangements

Not applicable

27. Structured Settlements

Not applicable

28. Health Care Receivables

Not applicable

29. Participating Policies

Not applicable

30. Premium Deficiency Reserves

As of December 31, 2006, the Company had liabilities of \$6,847,440 related to premium deficiency reserves. The Company did not consider anticipated investment income when calculating its premium deficiency reserves.

31. Anticipated Salvage and Subrogation

Not applicable

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	55,712,858	59,028,032	62,005,506	59,027,669	77,801,546
2. Total liabilities (Page 3, Line 22)	22,160,311	23,683,129	35,744,876	37,841,106	62,390,090
3. Statutory surplus	6,583,291	7,247,122	7,338,566	7,694,827	7,051,698
4. Total capital and surplus (Page 3, Line 31)	33,552,547	35,344,903	26,260,630	21,186,563	17,929,640
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	29	4,822,730	4,031,669	1,444,871	109,977,814
6. Total medical and hospital expenses (Line 18)	(636,635)	(1,741,816)	(866,620)	549,176	84,622,772
7. Claims adjustment expenses (Line 20)	591,262				
8. Total administrative expenses (Line 21)	980,865				25,094,419
9. Net underwriting gain (loss) (Line 24)	(935,463)	6,564,546	4,898,289	8,958,695	(5,012,557)
10. Net investment gain (loss) (Line 27)	2,341,783	2,309,007	2,385,671	3,614,841	4,659,647
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	1,125,698	9,122,977	5,074,067	3,214,571	(352,910)
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	33,552,547	35,344,903	26,260,630	21,186,563	17,929,640
14. Authorized control level risk-based capital	66,454	63,373	104,509	762,662	4,409,803
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	103,662	117,734	131,264	131,008	131,280
16. Total members months (Column 6, Line 7)	1,274,537	1,498,890	1,585,507	1,576,120	1,411,276
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19)					
19. Cost containment expenses				X X X	X X X
20. Other claims adjustment expenses				281	105
21. Total underwriting deductions (Line 23)				458	(5)
22. Total underwriting gain (loss) (Line 24)					
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Column 5)	(636,635)	(741,816)	554,890	3,665,953	18,765,463
24. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]		1,000,000	1,421,510	3,116,777	30,879,480
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2)					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30					

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description			1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1.	United States	19,580,369	19,246,566	19,895,889	19,450,000
	2.	Canada				
	3.	Other Countries				
	4.	Totals	19,580,369	19,246,566	19,895,889	19,450,000
States, Territories and Possessions (Direct and Guaranteed)	5.	United States				
	6.	Canada				
	7.	Other Countries				
	8.	Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9.	United States	14,615,612	14,676,143	14,644,995	14,285,000
	10.	Canada				
	11.	Other Countries				
	12.	Totals	14,615,612	14,676,143	14,644,995	14,285,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13.	United States				
	14.	Canada				
	15.	Other Countries				
	16.	Totals				
Public Utilities (unaffiliated)	17.	United States				
	18.	Canada				
	19.	Other Countries				
	20.	Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21.	United States	17,064,423	16,971,661	17,361,445	16,650,000
	22.	Canada				
	23.	Other Countries				
	24.	Totals	17,064,423	16,971,661	17,361,445	16,650,000
Parent, Subsidiaries and Affiliates	25.	Totals				
	26.	Total Bonds	51,260,404	50,894,370	51,902,329	50,385,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27.	United States				
	28.	Canada				
	29.	Other Countries				
	30.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31.	United States				
	32.	Canada				
	33.	Other Countries				
	34.	Totals				
Industrial and Miscellaneous (unaffiliated)	35.	United States				
	36.	Canada				
	37.	Other Countries				
	38.	Totals				
Parent, Subsidiaries and Affiliates	39.	Totals				
	40.	Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41.	United States				
	42.	Canada				
	43.	Other Countries				
	44.	Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45.	United States				
	46.	Canada				
	47.	Other Countries				
	48.	Totals				
Industrial and Miscellaneous (unaffiliated)	49.	United States				
	50.	Canada				
	51.	Other Countries				
	52.	Totals				
Parent, Subsidiaries and Affiliates	53.	Totals				
	54.	Total Common Stocks				
	55.	Total Stocks				
	56.	Total Bonds and Stocks	51,260,404	50,894,370	51,902,329	

SCHEDULE D - Verification Between Years

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	56,091,973	7. Amortization of premium.....	347,651
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	23,518,803	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	50,248	8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Column 15 - 17, Part 2, Section 1....		8.4 Column 15, Part 4.....	
4.3 Column 15, Part 2, Section 2.....		9. Book/adjusted carrying value at end of current period.....	51,260,404
4.4 Column 11 - 13, Part 4.....	38,704	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....	(85,283)	11. Subtotal (Lines 9 plus 10).....	51,260,404
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted assets.....	
Column 7, Part 4.....	28,006,392	13. Statement value of bonds and stocks, current period.....	51,260,404

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1.	U.S. Governments, Schedules D & DA (Group 1)											
1.1	Class 1	5,176,103	6,433,960	7,970,307			19,580,369	38.20	32,932,999	57.13	19,580,369	
1.2	Class 2											
1.3	Class 3											
1.4	Class 4											
1.5	Class 5											
1.6	Class 6											
1.7	TOTALS	5,176,103	6,433,960	7,970,307			19,580,369	38.20	32,932,999	57.13	19,580,369	
2.	All Other Governments, Schedules D & DA (Group 2)											
2.1	Class 1											
2.2	Class 2											
2.3	Class 3											
2.4	Class 4											
2.5	Class 5											
2.6	Class 6											
2.7	TOTALS											
3.	States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1	Class 1											
3.2	Class 2											
3.3	Class 3											
3.4	Class 4											
3.5	Class 5											
3.6	Class 6											
3.7	TOTALS											
4.	Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1	Class 1		8,992,551	3,161,379	1,550,000		13,703,930	26.73	977,465	1.70	13,703,930	
4.2	Class 2			911,682			911,682	1.78			911,682	
4.3	Class 3											
4.4	Class 4											
4.5	Class 5											
4.6	Class 6											
4.7	TOTALS		8,992,551	4,073,061	1,550,000		14,615,612	28.51	977,465	1.70	14,615,612	
5.	Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1	Class 1											
5.2	Class 2											
5.3	Class 3											
5.4	Class 4											
5.5	Class 5											
5.6	Class 6											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6.	Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1	Class 1											
6.2	Class 2											
6.3	Class 3											
6.4	Class 4											
6.5	Class 5											
6.6	Class 6											
6.7	TOTALS											
7.	Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1	Class 1	2,961,328	10,300,621	2,295,171	858,489		16,415,609	32.02	21,607,355	37.48	16,415,609	
7.2	Class 2			648,814			648,814	1.27	1,453,243	2.52	648,814	
7.3	Class 3								677,229	1.17		
7.4	Class 4											
7.5	Class 5											
7.6	Class 6											
7.7	TOTALS	2,961,328	10,300,621	2,943,985	858,489		17,064,423	33.29	23,737,827	41.18	17,064,423	
8.	Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1	Class 1											
8.2	Class 2											
8.3	Class 3											
8.4	Class 4											
8.5	Class 5											
8.6	Class 6											
8.7	TOTALS											
9.	Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1	Class 1											
9.2	Class 2											
9.3	Class 3											
9.4	Class 4											
9.5	Class 5											
9.6	Class 6											
9.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year												
10.1	Class 1	8,137,431	25,727,132	13,426,857	2,408,489		49,699,908	96.96	X X X	X X X	49,699,908	
10.2	Class 2			1,560,496			1,560,496	3.04	X X X	X X X	1,560,496	
10.3	Class 3								X X X	X X X		
10.4	Class 4								X X X	X X X		
10.5	Class 5						(c)		X X X	X X X		
10.6	Class 6						(c)		X X X	X X X		
10.7	TOTALS	8,137,431	25,727,132	14,987,353	2,408,489		(b) 51,260,404	100.00	X X X	X X X	51,260,404	
10.8	Line 10.7 as a % of Column 6	15.87	50.19	29.24	4.70		100.00	X X X	X X X	X X X	100.00	
11. Total Bonds Prior Year												
11.1	Class 1	14,693,819	18,846,436	21,977,564			X X X	X X X	55,517,819	96.30	55,517,819	
11.2	Class 2	804,578		648,665			X X X	X X X	1,453,243	2.52	1,453,243	
11.3	Class 3		677,229				X X X	X X X	677,229	1.17	677,229	
11.4	Class 4						X X X	X X X				
11.5	Class 5						X X X	X X X	(c)			
11.6	Class 6						X X X	X X X	(c)			
11.7	TOTALS	15,498,397	19,523,665	22,626,229			X X X	X X X	(b) 57,648,291	100.00	57,648,291	
11.8	Line 11.7 as a % of Col. 8	26.88	33.87	39.25			X X X	X X X	100.00	X X X	100.00	
12. Total Publicly Traded Bonds												
12.1	Class 1	8,137,430	25,727,132	13,426,857	2,408,489		49,699,908	96.96	55,517,819	96.30	49,699,908	X X X
12.2	Class 2			1,560,496			1,560,496	3.04	1,453,243	2.52	1,560,496	X X X
12.3	Class 3							677,229	677,229	1.17		X X X
12.4	Class 4											X X X
12.5	Class 5											X X X
12.6	Class 6											X X X
12.7	TOTALS	8,137,430	25,727,132	14,987,353	2,408,489		51,260,404	100.00	57,648,291	100.00	51,260,404	X X X
12.8	Line 12.7 as a % of Col. 6	15.87	50.19	29.24	4.70		100.00	X X X	X X X	X X X	100.00	X X X
12.9	Line 12.7 as a % of Line 10.7, Col. 6, Section 10	15.87	50.19	29.24	4.70		100.00	X X X	X X X	X X X	100.00	X X X
13. Total Privately Placed Bonds												
13.1	Class 1										X X X	
13.2	Class 2										X X X	
13.3	Class 3										X X X	
13.4	Class 4										X X X	
13.5	Class 5										X X X	
13.6	Class 6										X X X	
13.7	TOTALS										X X X	
13.8	Line 13.7 as a % of Col. 6							X X X	X X X	X X X	X X X	
13.9	Line 13.7 as a % of Line 10.7, Col. 6, Section 10							X X X	X X X	X X X	X X X	

(a) Includes \$.....0 freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
(b) Includes \$.....0 current year, \$.....0 prior year of bonds with Z designations and \$.....0 current year, \$.....0 prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
(c) Includes \$.....0 current year, \$.....0 prior year of bonds with 5* designations and \$.....0 current year, \$.....0 prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

Distribution by Type		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
1.	U.S. Governments, Schedules D & DA (Group 1)											
1.1	Issuer Obligations	5,176,103	6,433,960	7,970,307			19,580,370	38.20	32,932,999	57.13	19,580,370	
1.2	Single Class Mortgage-Backed/Asset-Backed Securities											
1.7	TOTALS	5,176,103	6,433,960	7,970,307			19,580,370	38.20	32,932,999	57.13	19,580,370	
2.	All Other Governments, Schedules D & DA (Group 2)											
2.1	Issuer Obligations											
2.2	Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
2.3	Defined											
2.4	Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
2.5	Defined											
2.6	Other											
2.7	TOTALS											
3.	States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)											
3.1	Issuer Obligations											
3.2	Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
3.3	Defined											
3.4	Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
3.5	Defined											
3.6	Other											
3.7	TOTALS											
4.	Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1	Issuer Obligations		8,992,551	4,073,061	1,550,000		14,615,612	28.51	977,465	1.70	14,615,612	
4.2	Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
4.3	Defined											
4.4	Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
4.5	Defined											
4.6	Other											
4.7	TOTALS		8,992,551	4,073,061	1,550,000		14,615,612	28.51	977,465	1.70	14,615,612	
5.	Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, SCH. D & DA (Group 5)											
5.1	Issuer Obligations											
5.2	Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:												
5.3	Defined											
5.4	Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:												
5.5	Defined											
5.6	Other											
5.7	TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations											
6.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 TOTALS											
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations	2,961,328	10,300,621	2,943,985	858,489		17,064,423	33.29	23,737,827	41.18	17,064,423	
7.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 TOTALS	2,961,328	10,300,621	2,943,985	858,489		17,064,423	33.29	23,737,827	41.18	17,064,423	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
10. Total Bonds Current Year											
10.1 Issuer Obligations	8,137,431	25,727,132	14,987,353	2,408,489		51,260,405	100.00	X X X	X X X	51,260,405	
10.2 Single Class Mortgage-Backed/Asset-Backed Securities								X X X	X X X		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined								X X X	X X X		
10.4 Other								X X X	X X X		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined								X X X	X X X		
10.6 Other								X X X	X X X		
10.7 TOTALS	8,137,431	25,727,132	14,987,353	2,408,489		51,260,405	100.00	X X X	X X X	51,260,405	
10.8 Line 10.7 as a % of Column 6	15.87	50.19	29.24	4.70		100.00	X X X	X X X	X X X	100.00	
11. Total Bonds Prior Year											
11.1 Issuer Obligations	15,498,397	19,523,665	22,626,229			X X X	X X X	57,648,291	100.00	57,648,291	
11.2 Single Class Mortgage-Backed/Asset-Backed Securities						X X X	X X X				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined						X X X	X X X				
11.4 Other						X X X	X X X				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined						X X X	X X X				
11.6 Other						X X X	X X X				
11.7 TOTALS	15,498,397	19,523,665	22,626,229			X X X	X X X	57,648,291	100.00	57,648,291	
11.8 Line 11.7 as a % of Column 8	26.88	33.87	39.25			X X X	X X X	100.00	X X X	100.00	
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations	8,137,430	25,727,132	14,987,353	2,408,489		51,260,404	100.00	57,648,291	100.00	51,260,404	X X X
12.2 Single Class Mortgage-Backed/Asset-Backed Securities											X X X
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined											X X X
12.4 Other											X X X
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined											X X X
12.6 Other											X X X
12.7 TOTALS	8,137,430	25,727,132	14,987,353	2,408,489		51,260,404	100.00	57,648,291	100.00	51,260,404	X X X
12.8 Line 12.7 as a % of Column 6	15.87	50.19	29.24	4.70		100.00	X X X	X X X	X X X	100.00	X X X
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10	15.87	50.19	29.24	4.70		100.00	X X X	X X X	X X X	100.00	X X X
13. Total Privately Placed Bonds											
13.1 Issuer Obligations										X X X	
13.2 Single Class Mortgage-Backed/Asset-Backed Securities										X X X	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined										X X X	
13.4 Other										X X X	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined										X X X	
13.6 Other										X X X	
13.7 TOTALS										X X X	
13.8 Line 13.7 as a % of Column 6								X X X	X X X	X X X	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10								X X X	X X X	X X X	

SCHEDULE D - PART 1
Showing all Long-Term BONDS Owned December 31 of Current Year

CUSIP Identi- fication	Description	Codes			6 NAIC Desig- nation	7 Actual Cost	Fair Value		10 Par Value	11 Book/ Adjusted Carrying Value	Change in Book Adjusted Carrying Value				Interest					Dates		
		3	4	5			8 Rate Used to Obtain Fair Value	9 Fair Value			12 Unrealized Valuation Increase/ (Decrease)	13 Current Year's (Amortization) Accretion	14 Current Year's Other Than Temporary Impairment Recognized	15 Total Foreign Exchange Change in B./A.C.V.	16 Rate of	17 Effective Rate of Interest	18 How Paid	19 Admitted Amount Due and Accrued	20 Gross Amount Received During Year	21 Acquired	22 Maturity	
		F O R E I G N	B O N D C H A R																			
U.S. Governments - Issuer Obligations																						
31359MGH0	FNMA				1FE	3,313,125	101.0310	3,030,930	3,000,000	3,074,161	(98,882)				6.625	6.557	OA	41,406	198,750	08/19/2004	10/15/2007	
912828AZ3	US TREAS NTS				1FE	982,969	97.0160	970,156	1,000,000	993,663	4,753				2.625	2.706	MN	3,281	26,250	10/04/2004	05/15/2008	
31359MMF7	FNMA PREASSIGN		1		1FE	2,641,016	99.7500	2,493,750	2,500,000	2,578,917	(15,525)				5.625	5.639	AF	47,656	140,625	01/22/2003	02/28/2012	
31359MNU3	FNMA			1		1,516,466	100.4860	1,507,293	1,500,000	1,509,429	(1,689)				5.250	5.225	AF	32,594	78,750	11/21/2002	08/01/2012	
31359MQV8	FNMA PREASSIGN				1FE	1,053,339	98.7810	1,037,201	1,050,000	1,052,083	(340)				4.750	4.809	AF	17,872	49,875	04/10/2003	02/21/2013	
3128X2TM7	FHLMC TRANCHE		1		1FE	991,710	99.5750	995,750	1,000,000	993,036	995				5.000	5.021	JJ	20,833	42,083	09/26/2005	01/30/2014	
3128X2TM7	FHLMC TRANCHE		1		1FE	1,235,863	99.5750	1,244,688	1,250,000	1,238,005	1,714				5.000	5.021	JJ	26,042	47,917	10/21/2005	01/30/2014	
31359MWJ8	FNMA PREASSIGN				1FE	598,488	97.6750	586,049	600,000	598,837	150				4.625	4.735	OA	5,781	27,750	09/15/2004	10/15/2014	
912828AN0	US TREAS NTS				1	101,226	98.2850	98,285	100,000	100,240	(288)				3.000	3.000	NM	500	3,000	07/31/2003	11/15/2007	
912828AZ3	US TREAS NTS				1	200,000	97.0160	194,032	200,000	200,000					2.625	2.625	MN	875	5,250	04/19/2004	05/15/2008	
912828CE8	US TREAS NTS				1	2,210,963	96.4610	2,170,373	2,250,000	2,231,132	7,808				3.125	3.125	AO	17,578	70,313	06/08/2004	04/15/2009	
3133X7C51	FHLB TRANCHE				1FE	2,012,758	99.0000	2,001,701	2,000,000	2,001,701	(5,103)				3.500	3.500	MN	8,750	70,000	11/12/2004	05/15/2007	
3134A4TE4	FHLMC				1FE	3,037,968	97.2120	2,916,360	3,000,000	3,009,165	(7,855)				2.750	2.750	MS	24,063	82,500	05/29/2003	03/15/2008	
0199999 Subtotal - U.S. Governments - Issuer Obligations						19,895,889	X X X	19,246,566	19,450,000	19,580,369	(114,263)				X X X	X X X	X X X	247,231	843,063	X X X	X X X	
0399999 Subtotal - U.S. Governments						19,895,889	X X X	19,246,566	19,450,000	19,580,369	(114,263)				X X X	X X X	X X X	247,231	843,063	X X X	X X X	
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations																						
34074GAA2	FLORIDA HURRICANE CAT FUND				1FE	1,534,965	102.0480	1,530,720	1,500,000	1,525,175	(9,790)				5.000	4.900	JJ	40,625		06/15/2006	07/01/2008	
880557N82	TENN ST SCH BD AUTH				1FE	1,203,780	100.8860	1,210,632	1,200,000	1,203,016	(764)				4.000	3.965	MN	7,867	16,267	06/22/2006	05/01/2009	
13033K6V6	CALIFORNIA HSG FIN				1FE	1,000,000	100.3350	1,003,350	1,000,000	1,000,000					3.875	3.862	FA	9,903		09/15/2006	08/01/2009	
92812UMM7	VIRGINIA HSG DEV AUTH				1FE	1,390,200	100.9440	1,413,216	1,400,000	1,391,180	980				4.000	3.963	OA	13,844	8,400	08/02/2006	10/01/2010	
880557G98	TN ST SCH BD AUTH				1FE	975,000	96.5560	941,421	975,000	975,000	(2,465)				4.190	4.339	MN	6,695	40,853	06/08/2005	05/01/2011	
678841HS9	OKLAHOMA CITY SCH DIST				1FE	1,881,015	105.4340	1,876,725	1,780,000	1,869,423	(11,592)				5.000	4.742	JJ	46,478		06/05/2006	07/01/2011	
499523UE6	KNOX CNTY EDL E TN HOSP E				2FE	910,800	101.8790	937,287	920,000	911,682	882				4.500	4.417	JJ	20,930		06/28/2006	07/01/2012	
162410CC6	CHATT TENN HEALTH EDL				1FE	351,844	102.7770	354,581	345,000	351,533	(311)				5.000	4.865	OA	4,265	1,979	08/18/2006	10/01/2015	
116083EP7	BROWNSBURG IND		1		1FE	1,526,092	108.2480	1,531,709	1,415,000	1,523,267	(2,824)				5.000	4.619	AF	11,792		10/26/2006	08/01/2016	
402231AX2	GULF COAST WAST DISP		1		1FE	1,550,000	100.0000	1,550,000	1,550,000	1,550,000					3.550	3.950	AO	4,433	620	11/22/2006	04/01/2024	
182521BE3	CLARKSVILLE TN NAT GAS				1FE	1,033,040	104.4890	1,044,890	1,000,000	1,028,757	(4,283)				5.000	4.785	DJ	2,083		06/23/2006	12/15/2010	
454623M48	INDIANA BD BK		1		1FE	1,288,260	106.8010	1,281,612	1,200,000	1,286,579	(1,681)				5.000	4.682	AF	7,833		08/18/2006	08/01/2015	
1899999 Subtotal - Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations						14,644,995	X X X	14,676,143	14,285,000	14,615,612	(31,848)				X X X	X X X	X X X	176,748	68,118	X X X	X X X	
2499999 Subtotal - Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)						14,644,995	X X X	14,676,143	14,285,000	14,615,612	(31,848)				X X X	X X X	X X X	176,748	68,118	X X X	X X X	
Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations																						
073902BZ0	BEAR STEARNS COS INC			1		492,335	100.0050	500,024	500,000	500,000	1,586				5.700	5.700	JJ	13,063	28,500	03/25/2002	01/15/2007	
02003EAD4	PVTPL ALLSTATE LIFE GLOBAL			1FE		749,738	99.2860	744,645	750,000	749,980	81				2.625	2.644	AO	4,102	19,688	01/13/2004	04/15/2007	
46625HAP5	JPMORGAN CHASE & CO			1FE		1,066,580	99.9620	999,618	1,000,000	1,006,496	(19,487)				5.250	5.252	MN	4,375	52,500	06/29/2005	05/30/2007	
49306BNC3	KEY BK			1FE		729,162	99.7010	697,905	700,000	704,852	(9,721)				5.000	5.015	JJ	15,847	35,000	07/09/2004	07/17/2007	
867914AQ6	SUNTRUST BKS INC			1FE		813,465	100.8930	756,698	750,000	773,455	(16,556)				6.250	6.195	JD	3,776	46,875	08/04/2004	06/01/2008	
33738MAC5	1ST UN NATL BK CHARLOTTE			1FE		820,576	101.0460	808,367	800,000	813,146	(6,859)				5.800	5.740	DJ	3,738	44,724	12/09/2005	12/01/2008	
172967CH2	CITIGROUP INC			1FE		768,992	97.0430	776,343	800,000	779,600	9,792				3.625	3.735	FA	11,358	18,850	12/12/2005	02/09/2009	
22237LHE5	COUNTRYWIDE HOME LNS			1FE		773,070	101.7970	763,480	750,000	765,572	(6,921)				6.250	6.140	AO	9,766	37,500	12/21/2005	04/15/2009	
40429CCX8	PVTPL HSBC FIN CORP			1FE		750,900	100.0030	750,020	750,000	750,708	(177)				5.250	5.250	JJ	18,156	21,547	12/21/2005	01/14/2011	
38141GAZ7	GOLDMAN SACHS GROUP INC			1		1,139,340	105.8570	1,058,571	1,000,000	1,071,917	(17,979)				6.875	6.495	JJ	31,510	68,750	04/03/2003	01/15/2011	
758940AF7	REGIONS FINANCIAL CORP NT			1FE		2,513,850	106.2370	2,655,925	2,500,000	2,505,819	(1,397)				7.000	6.589	MS	57,847	175,000	04/25/2001	03/01/2011	
949746CE9	WELLS FARGO & CO			1FE		1,071,610	104.7220	1,047,216	1,000,000	1,056,312	(12,286)				6.375	6.088	AF	26,385	48,875	10/20/2005	08/01/2011	
22541LAB9	CR SUISSSE 1ST BSTN USA INC		1		1FE	541,615	103.5450	517,725	500,000	530,944	(6,402)				6.125	5.915	NM	3,828	30,625	05/24/2005	11/15/2011	
22541LAB9	CR SUISSSE		1		1FE	261,208	103.5450	258,863	250,000	257,304	(1,511)				6.125	5.915	NM	1,914	15,313	06/29/2005	11/15/2011	
36962GM68	GEN ELEC CAP CORP			1FE		993,980	96.5420	965,419	1,000,000	995,843	860				4.375	4.532	NM	4,740	43,750	11/16/2004	11/21/2011	
52517PSC6	LEHMAN BROS HLDGS INC			1		1,096,780	105.6590	1,056,588	1,000,000	1,053,767	(10,753)				6.625	6.270	JJ	29,812	66,250	01/03/2003	01/18/2012	
00209TAA3	AT&T BROADBAND USA			1FE		613,730	113.9070	569,533	500,000	585,878	(13,926)				8.375	7.353	MS	12,213	41,875	06/29/2005	03/15/2013	
209615CA9	CONS NAT GAS CO			1FE		656,981</																

SCHEDULE D - PART 3
Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends
Bonds - U.S. Governments								
31359MH48	FNMA PRE		03/17/2006 ..	NORTHERN TRUST	X X X	1,494,750	1,500,000.00	6,183
31359MH48	FNMA PRE		04/05/2006 ..	NORTHERN TRUST	X X X	991,530	1,000,000.00	6,478
31359MH48	FNMA PRE		04/05/2006 ..	NORTHERN TRUST	X X X	1,983,560	2,000,000.00	13,250
0399999 Subtotal - Bonds - U.S. Governments						4,469,840	4,500,000.00	25,911
Bonds - Political Subdivisions of States								
34074GAA2	FLORIDA HURRICANE CAT FUND		06/15/2006 ..	NORTHERN TRUST	X X X	1,534,965	1,500,000.00 .....	.....
880557N82	TENN ST SCH BD AUTH		06/22/2006 ..	NORTHERN TRUST	X X X	1,203,780	1,200,000.00	3,733
678841HS9	OKLAHOMA CIRY SCH DIST		06/05/2006 ..	NORTHERN TRUST	X X X	1,881,015	1,780,000.00	5,192
499523UE6	KNOX CNTY ELD E TN HOSP		06/28/2006 ..	NORTHERN TRUST	X X X	910,800	920,000.00	460
92812UMM7	VIRGINIA ST HSG DEV AUTH		08/02/2006 ..	NORTHERN TRUST	X X X	1,390,200	1,400,000.00	3,733
162410CC6	CHATT TENN HEALTH EDL		08/18/2006 ..	NORTHERN TRUST	X X X	381,844	375,000.00	7,396
13033K6V6	CALIFORNIA HSG FIN		09/15/2006 ..	NORTHERN TRUST	X X X	1,000,000	1,000,000.00 .....	.....
116083EP7	BROWNSBURG IND		10/26/2006 ..	NORTHERN TRUST	X X X	1,526,092	1,415,000.00	17,688
402231AX2	GULF COAST WASTE DISP		11/22/2006 ..	NORTHERN TRUST	X X X	1,550,000	1,550,000.00	4,010
182521BE3	CLARKSILLE TN NAT GAS		06/23/2006 ..	NORTHERN TRUST	X X X	1,033,040	1,000,000.00 .....	.....
454623M48	INDIANA BD BK		11/08/2006 ..	NORTHERN TRUST	X X X	1,288,260	1,200,000.00	17,000
2499999 Subtotal - Bonds - Political Subdivisions of States						13,699,995	13,340,000.00	59,212
Bonds - Industrial and Miscellaneous (Unaffiliated)								
060505CU6	PVTPL BK AMER CORP		12/20/2006 ..	NORTHERN TRUST	X X X	858,968	800,000.00 .....	.....
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)						858,968	800,000.00 .....	.....
6099997 Subtotal - Bonds - Part 3						19,028,803	18,640,000.00	85,123
6099998 Summary item from Part 5 for Bonds						4,490,000	4,490,000.00	4,743
6099999 Subtotal - Bonds						23,518,803	23,130,000.00	89,866
6599998 Summary Item from Part 5 for Preferred Stocks .....						.....	X X X .....	.....
7299998 Summary Item from Part 5 for Common Stocks .....						.....	X X X .....	.....
7399999 Subtotal - Preferred and Common Stocks .....						.....	X X X .....	.....
7499999 Totals						23,518,803	X X X	89,866

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks SOLD, REDEEMED, or Otherwise DISPOSED OF During Current Year

1	2	3 F o r e i g n	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21
										11	12	13	14	15						
CUSIP Identification	Description		Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year (Amortization) Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (Cols. 11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest Stock Dividends Received During Year	Maturity Date
Bonds - U.S. Governments																				
3133X0LJ6	FHLB		08/04/2006	NORTHERN TRUST	X X X	969,860	1,000,000.00	1,001,571	1,001,082		(244)		(244)		1,000,838		(30,978)	(30,978)	17,849	08/15/2006
31359MH48	FNMA PRE		09/07/2006	NORTHERN TRUST	X X X	4,473,225	4,500,000.00	4,469,840	4,469,840		2,681		2,681		4,472,521		704	704	7,919	02/22/2011
912828DM9	US TREAS NT		09/07/2006	NORTHERN TRUST	X X X	1,890,859	2,000,000.00	1,950,469	1,953,327		3,426		3,426		1,956,752		(65,893)	(65,893)	1,792	02/15/2015
3134A0TG7	FHLMC GLOBAL BD		01/19/2006	MATURED	X X X	2,905,000	2,905,000.00	2,768,374	2,904,999						2,904,999		1	1	86,424	01/19/2006
3133MDJP9	FHLB FED HOME LN BK		03/06/2006	MATURED	X X X	2,500,000	2,500,000.00	2,596,625	2,510,171		(10,171)		(10,171)		2,500,000				74,234	03/06/2006
912828DM9	US TRES NT		11/08/2006	NORTHERN TRUST	X X X	1,052,992	1,100,000.00	1,044,141	1,048,834		4,695		4,695		1,053,529		(537)	(537)	5,588	02/15/2015
912828ED8	US TREASURY		11/27/2006	NORTHERN TRUST	X X X	540,809	550,000.00	540,203	540,547		1,719		1,719		542,266		(1,457)	(1,457)	4,093	08/15/2010
912828DM9	US TRES NT		10/27/2006	NORTHERN TRUST	X X X	1,425,934	1,500,000.00	1,423,828	1,430,230		5,760		5,760		1,435,990		(10,056)	(10,056)	6,142	02/15/2015
31359MHB2	FNMA		02/15/2006	MATURED	X X X	1,650,000	1,650,000.00	1,746,342	1,652,240		(2,241)		(2,241)		1,650,000				47,616	02/15/2006
665278107	NORTHERN TRUST MM		12/31/2006	NORTHERN TRUST	X X X	196,936	196,936.31	196,936	196,936						196,936					12/31/2006
0399999 Subtotal - Bonds - U.S. Governments						17,605,615	17,901,936.31	17,738,329	17,708,207		5,625		5,625		17,713,831		(108,216)	(108,216)	251,655	X X X
Bonds - Political Subdivisions of States																				
162410CC6	CHATT TENN HEALTH EDL		10/02/2006	NORTHERN TRUST	X X X	30,000	30,000.00	30,000	30,000						30,000					10/01/2015
2499999 Subtotal - Bonds - Political Subdivisions of States						30,000	30,000.00	30,000	30,000						30,000					X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)																				
319963AE4	1ST DATA CORP SR NT		09/25/2006	NORTHERN TRUST	X X X	1,500,000	1,500,000.00	1,591,980	1,519,995		(15,997)		(15,997)		1,503,999		(3,999)	(3,999)	44,197	11/01/2006
254687AM8	DISNEY WALT CO		03/30/2006	MATURED	X X X	800,000	800,000.00	836,624	804,578		(4,578)		(4,578)		800,000				31,578	03/30/2006
345397TX1	FORD MTR CO		05/03/2006	NORTHERN TRUST	X X X	701,750	700,000.00	739,851	715,933	38,704	(5,306)		33,398		710,627		(8,877)	(8,877)	18,324	01/25/2007
90331HHW6	US BK NATL ASSN CIN OH		11/15/2006	MATURED	X X X	1,240,000	1,240,000.00	1,239,888	1,239,969		31		31		1,240,000				17,639	11/15/2006
110122AG3	BRISTOL MYERS SQUIBB CO		11/17/2006	NORTHERN TRUST	X X X	777,870	750,000.00	790,838	782,765		(4,749)		(4,749)		778,017		(147)	(147)	11,457	10/01/2011
066050CU7	BANKAMERICA CORP		12/13/2006	NORTHERN TRUST	X X X	858,968	800,000.00	858,968	838,833		(15,821)		(15,821)		823,012		35,956	35,956	37,957	04/01/2008
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)						5,878,588	5,790,000.00	6,058,149	5,902,073	38,704	(46,418)		(7,714)		5,855,654		22,934	22,934	161,152	X X X
6099997 Subtotal - Bonds - Part 4						23,514,203	23,721,936.31	23,826,478	23,640,280	38,704	(40,794)		(2,090)		23,599,486		(85,283)	(85,283)	412,807	X X X
6099998 Summary Item from Part 5 for Bonds						4,492,188	4,490,000.00	4,490,000			2,188		2,188		4,490,000				10,222	X X X
6099999 Subtotal - Bonds						28,006,392	28,211,936.31	28,316,478	23,640,280	38,704	(38,605)		99		28,089,486		(85,283)	(85,283)	423,029	X X X
6599998 Summary Item from Part 5 for Preferred Stocks							X X X													X X X
7299998 Summary Item from Part 5 for Common Stocks							X X X													X X X
7399999 Subtotal - Preferred and Common Stocks							X X X													X X X
7499999 Totals						28,006,392	X X X	28,316,478	23,640,280	38,704	(38,605)		99		28,089,486		(85,283)	(85,283)	423,029	X X X

SCHEDULE E - PART 1 - CASH

1			2	3	4	5	6	7
Depository			Code	Rate of Interest	Amount of Interest Received During Year	Amount of Interest Accrued December 31 of Current Year	Balance	*
open depositories								
Cash on Deposit	First Tennessee Bank .....	.....	.....	5.000	34,969	.....	94,686	X X X
Northern Trust	Chicago Illinois .....	.....	.....	4.908	76,375	.....	3,605,402	X X X
0199998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories				X X X ..	.....	.....	.....	X X X
0199999 Totals - Open Depositories				X X X ..	111,344	5,831	3,700,088	X X X
0299998 Deposits in .....0 depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories				X X X ..	.....	.....	.....	X X X
0299999 Totals - Suspended Depositories				X X X ..	.....	.....	.....	X X X
0399999 Total Cash On Deposit				X X X ..	111,344	5,831	3,700,088	X X X
0499999 Cash in Company's Office				X X X ..	X X X ..	X X X ..	.....	X X X
0599999 Total Cash				X X X ..	111,344	5,831	3,700,088	X X X

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January	1,407,563	4. April	418,230	7. July	990,954	10. October	220,972
2. February	341,793	5. May	659,759	8. August	769,576	11. November	1,368,113
3. March	1,298,562	6. June	2,291,115	9. September	857,686	12. December	3,700,088



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES
(To Be Filed by April 1)

For the year ended December 31, 2006

Of The Preferred Health Partnership of Tennessee, Inc.

Address (City, State, Zip Code) Knoxville , TN, 37932

NAIC Group Code 1253 NAIC Company Code 95749 Employer's ID Number 62-1546662

The Investment Risk Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.
Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$ 55,712,858

1	2	3	4
Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2. Ten largest exposures to a single issuer/borrower/investment.			
2.01 REGIONS FINANCIAL CORP NT 758940AF7	BOND	2,505,819	4.498
2.02 OKLAHOMA CITY SCH DIST 678841HS9	BOND	1,869,423	3.355
2.03 GULF COAST WAST DISP 402231AX2 ..	BOND	1,550,000	2.782
2.04 FLORIDA HURRICANE CAT FUND 34074GAA2	BOND	1,525,175	2.738
2.05 BROWNSBURG IND 116083EP7	BOND	1,523,267	2.734
2.06 VIRGINIA HSG DEV AUTH 82812UMM7 ..	BOND	1,391,180	2.497
2.07 INDIANA BD BK 454623M48	BOND	1,286,578	2.309
2.08 TENN ST SCH BD AUTH 880557N82	BOND	1,203,016	2.159
2.09 GOLDMAN SACHS GROUP INC 38141GAZ7	BOND	1,071,917	1.924
2.10 WELLS FARGO 949746CE9	BOND	1,056,312	1.896

NAIC Rating	1 Amount	2 Percent
3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.		
Bonds		
3.01 NAIC-1	49,699,908	89.207
3.02 NAIC-2	1,560,496	2.801
3.03 NAIC-3		
3.04 NAIC-4		
3.05 NAIC-5		
3.06 NAIC-6		
Preferred Stocks		
3.07 P/RP-1		
3.08 P/RP-2		
3.09 P/RP-3		
3.10 P/RP-4		
3.11 P/RP-5		
3.12 P/RP-6		

4. Assets held in foreign investments:
4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes[] No[X]

	1 Amount	2 Percent
4.02 Total admitted assets held in foreign investments		
4.03 Foreign-currency-denominated investments		
4.04 Insurance liabilities denominated in that same foreign currency		

If response, to 4.01 above is yes, responses are not required for interrogatories 5 - 10.



ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

United States Policy Forms Direct Business Only

For The Year Ended December 31, 2006

(To Be Filed By April 1)

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2 + 3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
A. INDIVIDUAL BUSINESS							
1. Comprehensive Major Medical							
1.1. With Contract Reserves							
1.2. Without Contract Reserves							
1.3. Subtotal							
2. Short-Term Medical							
2.1. With Contract Reserves							
2.2. Without Contract Reserves							
2.3. Subtotal							
3. Other Medical (Non-Comprehensive)							
3.1. With Contract Reserves							
3.2. Without Contract Reserves							
3.3. Subtotal							
4. Specified/Named Disease							
4.1. With Contract Reserves							
4.2. Without Contract Reserves							
4.3. Subtotal							
5. Limited Benefit							
5.1. With Contract Reserves							
5.2. Without Contract Reserves							
5.3. Subtotal							
6. Student							
6.1. With Contract Reserves							
6.2. Without Contract Reserves							
6.3. Subtotal							
7. Accident Only or AD&D							
7.1. With Contract Reserves							
7.2. Without Contract Reserves							
7.3. Subtotal							
8. Disability Income - Short-Term							
8.1. With Contract Reserves							
8.2. Without Contract Reserves							
8.3. Subtotal							

Supps

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2 + 3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
9. Disability Income - Long-Term							
9.1. With Contract Reserves
9.2. Without Contract Reserves
9.3. Subtotal
10. Long-Term Care							
10.1. With Contract Reserves
10.2. Without Contract Reserves
10.3. Subtotal
11. Medicare Supplement (Medigap)							
11.1. With Contract Reserves
11.2. Without Contract Reserves
11.3. Subtotal
12. Dental							
12.1. With Contract Reserves
12.2. Without Contract Reserves
12.3. Subtotal
13. State Children's Health Insurance Program							
13.1. With Contract Reserves
13.2. Without Contract Reserves
13.3. Subtotal
14. Medicare							
14.1. With Contract Reserves
14.2. Without Contract Reserves
14.3. Subtotal
15. Medicaid							
15.1. With Contract Reserves	1	103,662	1,274,537
15.2. Without Contract Reserves
15.3. Subtotal	1	103,662	1,274,537
16. Other Individual Business							
16.1. With Contract Reserves
16.2. Without Contract Reserves
16.3. Subtotal
17. Total Individual Business							
17.1. With Contract Reserves	1	103,662	1,274,537
17.2. Without Contract Reserves
18. Grand Total Individual	1	103,662	1,274,537

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

	1	2	3	4	5	6	7
	Premiums Earned	Incurred Claims Amount	Change in Contract Reserves	Loss Ratio (2 + 3) / 1	Number of Policies or Certificates as of Dec. 31	Number of Covered Lives as of Dec. 31	Member Months
B. GROUP BUSINESS							
Comprehensive Major Medical							
1. Single Employer							
1.1. Small Employer .....	.....	.....	.....	.....	.....	.....	.....
1.2. Other Employer .....	.....	.....	.....	.....	.....	.....	.....
1.3. Single Employer Subtotal .....	.....	.....	.....	.....	.....	.....	.....
2. Multiple Employer Assns and Trusts .....	.....	.....	.....	.....	.....	.....	.....
3. Other Associations and Discretionary Trusts .....	.....	.....	.....	.....	.....	.....	.....
4. Other Comprehensive Major Medical .....	.....	.....	.....	.....	.....	.....	.....
5. Comprehensive/Major Medical Subtotal .....	.....	.....	.....	.....	.....	.....	.....
Other Medical (Non-Comprehensive)							
6. Specified/Named Disease .....	.....	.....	.....	.....	.....	.....	.....
7. Limited Benefit .....	.....	.....	.....	.....	.....	.....	.....
8. Student .....	.....	.....	.....	.....	.....	.....	.....
9. Accident Only or AD&D .....	.....	.....	.....	.....	.....	.....	.....
10. Disability Income - Short-Term .....	.....	.....	.....	.....	.....	.....	.....
11. Disability Income - Long-Term .....	.....	.....	.....	.....	.....	.....	.....
12. Long-Term Care .....	.....	.....	.....	.....	.....	.....	.....
13. Medicare Supplement (Medigap) .....	.....	.....	.....	.....	.....	.....	.....
14. Federal Employees Health Benefit Plans .....	.....	.....	.....	.....	.....	.....	.....
15. Tricare .....	.....	.....	.....	.....	.....	.....	.....
16. Dental .....	.....	.....	.....	.....	.....	.....	.....
17. Other Group Care .....	.....	.....	.....	.....	.....	.....	.....
18. Grand Total Group Business .....	.....	.....	.....	.....	.....	.....	.....
C. OTHER BUSINESS							
1. Credit (Individual and Group) .....	.....	.....	.....	.....	.....	.....	.....
2. Stop Loss/Excess Loss .....	.....	.....	.....	.....	.....	.....	.....
3. Administrative Services Only .....	..... X X X .....	..... X X X .....	..... X X X .....	..... X X X .....	.....	.....	.....
4. Administrative Services Contracts .....	..... X X X .....	..... X X X .....	..... X X X .....	..... X X X .....	.....	.....	.....
5. Grand Total Other Business .....	.....	.....	.....	.....	.....	.....	.....
D. TOTAL BUSINESS							
1. Total Non U.S. Policy Forms .....	.....	.....	.....	.....	.....	.....	.....
2. Grand Total Individual, Group and Other Business .....	.....	.....	.....	.....	..... 1	..... 103,662	..... 1,274,537

ACCIDENT AND HEALTH POLICY EXPERIENCE EXHIBIT FOR YEAR

PART 1 - INDIVIDUAL POLICIES SUMMARY

Description		1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2 + 3) / 1
1.	U.S. Forms Direct Business ...				
2.	Other Forms Direct Business ...				
3.	Total Direct Business ...				
4.	Reinsurance Assumed				
5.	Less Reinsurance Ceded				
6.	TOTAL				

PART 2 - GROUP POLICIES SUMMARY

Description		1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2 + 3) / 1
1.	U.S. Forms Direct Business ...				
2.	Other Forms Direct Business ...				
3.	Total Direct Business ...				
4.	Reinsurance Assumed				
5.	Less Reinsurance Ceded				
6.	TOTAL				

PART 3 - CREDIT POLICIES (Individual and Group) SUMMARY

Description		1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2 + 3) / 1
1.	U.S. Forms Direct Business ...				
2.	Other Forms Direct Business ...				
3.	Total Direct Business ...				
4.	Reinsurance Assumed				
5.	Less Reinsurance Ceded				
6.	TOTAL				

PART 4 - ALL INDIVIDUAL, GROUP AND CREDIT POLICIES SUMMARY

Description		1 Premiums Earned	2 Incurred Claims Amount	3 Change in Contract Reserves	4 Loss Ratio (2 + 3) / 1
1.	U.S. Forms Direct Business ...				
2.	Other Forms Direct Business ...				
3.	Total Direct Business ...				
4.	Reinsurance Assumed				
5.	Less Reinsurance Ceded				
6.	TOTAL				

Amended Statement Cover

ANNUAL STATEMENT AMENDMENT

OF THE

Preferred Health Partnership of Tennessee, Inc.

Of

Knoxville

In the state of

Tennessee

TO THE

Insurance Department

OF THE STATE OF

Tennessee

**For the Year Ending
December 31, 2006**

Amendment made to correct the following pages: Assets, Liabilities, Statement of Revenue, PHPT Operations 2A, Consolidated Operations 2A, Cash Flow, Underwriting and Investment Exhibit, Exhibit of NonAdmitted Assets, Exhibit 5, Notes to Financial Statement, Five-Year Historical Data, Schedule D - Summary by Country, Schedule D - Verification Between Years, Schedule D - Part 1A - Section 1 and 2, Schedule D - Part 1, Schedule D - Part 3, Schedule D - Part 3, Schedule E - Part 1 - Cash, Supplemental Investment Risks Interrogatories, Accident and Health Policy Experience Exhibit, Management's Discussion and Analysis



Management's Discussion and Analysis
Statement as of December 31, 2006 of the
Preferred Health Partnership of Tennessee, Inc. (PHP of Tennessee)

Supplement of the Annual Statement – Management's Discussion & Analysis

Preferred Health Partnership of Tennessee, Inc. (the Company) was organized in 1994 as a wholly-owned subsidiary of PHP Companies, Inc. (the Parent). The Company began as a fully funded risk managed care organization under contractual agreement with the State of Tennessee. In July 2002, PHP entered into an ASO non-risk contractual agreement with the State of Tennessee, which spans from July 2002 to July 2007. As under the risk managed plan, the TennCare program provides or arranges for the provision of health care services to members. TennCare pays the Company a monthly administration fee based on the number of enrolled members in the plan. The Company uses these fees to pay for all administration costs incurred to provide medical services. The State is directly responsible for payments of medical services.

FINANCIAL POSITION:

The financial position of PHP of Tennessee for the year ended December 31, 2006 indicated a loss in capital and surplus of \$1,792,358. The Company's statutory basis assets decreased from \$59,028,032 in 2005 to \$55,712,858 in 2006. The significant change in assets was a decrease in Long-Term and Short-Term Investments. Long-Term Investments decreased from \$56,091,973 in 2005 to \$51,260,404 in 2006, while Short-Term Investments decreased from \$1,556,318 in 2005 to \$0 in 2006. This decrease also caused Investment Income Due & Accrued to decrease \$104,546 in 2006. In 2006, there were \$0 Receivables From Subsidiaries, which caused a decrease of \$253,701 from 2005. The cash balance at December 2006 was accumulated through the normal course of operations and is unencumbered and available for use in the health plan's operations.

Balances listed as due from affiliates are amounts owed to the company in the normal course of business from affiliated entities. All balances are listed at their net realizable value and are reasonably expected to be received.

Total liabilities decreased from \$23,683,129 in 2005 to \$22,160,311 in 2006. The significant change in liabilities was a decrease in Penalty Reserves. Penalty Reserves decreased from \$2,568,750 in 2005 to \$1,086,750 in 2006. This decrease is directly correlated with the non-risk contract agreement that the Company has entered with the State of Tennessee.

RESULTS OF OPERATIONS:

Member-months reported in 2006 totaled 1,274,537, compared to 1,498,890 member-months reported in 2005. This decrease is attributable to the disenrollment of members by the TennCare Program. Member-months for the non-risk period totaled 1,274,537, which leaves 0 member-months for the Risk period.

Total Premium Revenue reported for 2006 remained at \$0. Total Medical and Hospital Expenses increased from \$(1,741,816) in 2005 to \$(636,635) in 2006 due to the release of IBNR in 2005. Total Claims Adjustment Expenses and total General Administrative Expenses totaled \$1,572,127 in 2006. General Administrative Expenses totaled \$16,056,854 before the offset of State Admin Revenues. The company has a management agreement with the parent company, PHP Companies, Inc., to provide management, administrative, marketing and certain clerical functions subject to the review of the Company's Board of Directors.

Management's Discussion and Analysis

Key Indicators for PHP of Tennessee, Inc. - Risk for PHP of Tennessee

	2006 Actual	2005 Actual	2004 Actual	2003 Actual	2002 Actual
Membership (Member Months)	0	0	0	186	683,908
Revenue – Medicaid Title XIX	\$0	\$0	\$0	\$195,632	\$109,964,306
Average Capitation PMPM	N/A	N/A	N/A	N/A	\$160.79
Administration Percent of Premium	N/A	N/A	N/A	N/A	11.50%

CASH FLOW AND LIQUIDITY:

PHP of Tennessee believes that its existing financial resources are sufficient to meet all of its outstanding obligations.